

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 NSC-05 CIAE-00 PM-03 INR-07 L-02

ACDA-05 NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 EB-07 OMB-01 CIEP-01 MC-02 /072 W

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P R 271730Z MAR 75

FM USMISSION NATO

TO SECSTATE PRIORITY 883

INFO SECDEF WASHDC

ALL NATO CAPITALS 5189

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 1711

E.O. 11652: GDS

TAG: EFIN, MCAP, GW, NATO

SUBJECTC BURDENSARING: DRAFT ECONOMIC DIRECTORATE REPORT TO COUNCIL

REF: USNATO 1144

1. ECONOMIC DIRECTOR HAS PROVIDED MISSION ADVANCE COPY OF DRAFT REPORT ON PROBLEMS ARISING FROM THE STATIONING OF UNITED STATES FORCES IN EUROPE TO BE SUBMITTED TO THE NAC APRIL 15 (PARA 3 BELOW). IT IS COMPLETE EXCEPT FOR CONCLUDING SENTENCE WHICH ECONMIC DIRECTOR AND ALLIED DELEGATION REPS WOULD LIKE TO ADD STATING: "ON THE BASIS OF THIS REPORT, IT SEEMS THAT THE REQUIREMENTS OF THE JACKSON-NUNN AMENDMENT HAVE BEEN MET."

2. ACTION REQUESTED: IF DEPARTMENT HAS NAY COMMENTS OR SUGGESTIONS, PARTICULARLY WITH REGARD TO CONCLUDING SENTENCE, IT SHOULD REACH USNATO BY COB APRIL 2.

3. TEXT OF DRAFT REPORRT: QUOTE:

FINANCIAL PROBLEMS ARISING FROM THE STATIONING
OF UNITED STATES FORCES IN EUROPE

(ITEM 2(D) OF PO/74/3 OF 15TH JANUARY, 1974)
CONFIDENTIAL

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DRAFT REPORT FOR THE COUNCIL

IN OCTOBER 1973, THE COUNCIL WAS INFORMED BY THE
UNITED STATES PERMANENT REPRESENTATIVE OF THE PASSAGE INTO

UNITED STATES LAW OF THE JACKSON-NUNN AMENDMENT AND ITS IMPLICATIONS FOR THE ALLIANCE. THIS AMENDMENT WHICH ADDRESSED THE PROBLEM OF BURDEN SHARING IN THE ALLIANCE SPECIFICALLY CALLS FOR CUTS IN THE UNITED STATES FORCES DEPLOYED IN EUROPE IN LATE 1975 IF THE BALANCE OF PAYMENTS DEFICIT (FOR ISCAL YEAR 1ST JULY 1973 TO 30 TH JUNE 1974) RESULTING FROM THESE DEPLOYMENTS SHOULD NOT BE FULLY OFFSET BY OTHER NATO COUNTRIES. THE REDUCTION IN THE UNITED STATES FORCES WOULD BE MADE PROPORTIONATE TO ANY OUTSTANDING DEFICIT AFTER TAKING ITS ACCOUNT OFFSETTING PAYMENTS MADE TO THE UNITED STATES BY OTHER MEMBER COUNTRIES FOR PURCHASES OF DEFENCE GOODS AND SERVICES. QUARTERLY PROGRESS REPORTS TO CONGRESS WERE TO BE MADE BY THE PRESIDENT OF THE UNITED STATES TERMINATING WITH A FINAL REPORT TO BE SUBMITTED BY 16TH MAY, 1975.

2. THE COUNCIL ON THE SPECIFIC PROBLEM OF THE BALANCE OF PAYMENTS OFFSETT GAVE A MANDATE (1) TO THE ECONOMIC DIRECTORATE TO COLLECT INFORMATION ONPAYMENTS MADE BY THE EUROPEAN COUNTRIES TO THE UNITED STATES FOR PURCHASES OF DEFENCE GOODS ANND SERVICES. ACTING ON THIS MANDATE, THE ECONOMIC DIRECTORATE FIRST DREW UP A LIST (2) OF ITEMS, BASED ON THE NATO NOMENCLATURE OF DEFENCE EXPENDITURES THAT COULD BE CONSIDERRED AS ELIGIBLE FOR OFFSET. THIS LIST FOLOWING REVIEW AND APPROVAL (3) BY THE

(1) PO/75/3, ITEM 2(D) OF 15TH JANUARY, 1974

(2) PO/74/10 DATED 19TH JANUARY, 1974

(3) ED/74/51 DATED 22ND FEBRUARY, 1974 AND ADDENDUM TO ED/74/20 AND CONSEQUENTLY ANNEX TO PO/74/10.

UNITED STATES AUTHORITIES, WAS THE BASIS ON WHICH EUROPEAN MEMBER COUNTRIES SUBSEQUENTLY TOOK STEPS TO COLLECT INFORMAION ON ALL BILATERAL PAYMENTS (1) MADE TO THE UNITED STATES. INFORMATION ONPAYMENTS MADE ON A MULTILATERAL BASIS PROVIDED BY THE NATO INTEGRATED AGENCIES(2) AND BY THE NATO INFRASTRUCTURE DIRECTORATE (3) WERE COLLECTED BY THE ECONOMIC DIRECTORATE. THIS INFORMATION (4) ON PAYMENTS THROUGH MULTILATERAL CHANNELS CONFIDENTIAL

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WAS REVIEWED BY ALL MEMBER COUNTRIES FOR VERIFICATION AND ELIMINATION OF ANY ELEMENT OF DOUBLE-COUNTRING. A SERIES OF QUARTERLY PROGRESS REPORTS (5) ON THE INFORMATION AS IT HAS BECME AVAILABLE HAVE BEEN MADE BY THE ECONOMIC DIRECTORATE.

3. MOST EUROPEAN MEMBER COUNTRIES, FOLLOWING A PILOT STUDY CARRIED OUT BY THE BELGIAN AUTHORITIES WERE ABLE TO PROVIDE THE INFORMATION REQUESTED DESPITE THE COMPLEXITY OF THE PROBLEMS THAT AROSE. FOR THE REMAINING COUNTRIES CONSERVATIVE ESTIMATES HAVE BEEN MADE WHICH HAVE NOT BEEN REJECTED BY THE COUNTRIES CONCERNED AND MOREOVER BEAR COMPARISON WITH THE DATA AVAILABLE FROM OFFICIALUNITED STATES STATISTICS.

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P R 271730Z MAR 75

FM USMISSION NATO

TO SECSTATE PRIORITY 884

INFO SECDEF WASHDC

ALL NATO CAPITALS 5190

C O N F I D E N T I A L SECTION 2 OF 2 USNATO 1711

(1) FOR PURPOSES OF ANALYSIS AND VERIFICATION BILATERAL PAYMENTS
WERE CLASSIFIED ACCORDING TO THOSE TYPES OF TRANSACTIONS:
GOVERNMENT TO GOVERNMENT, GOVERNMENT TO FIRM AND FIRM TO
FIRM.

(2) NAMSA, NATO MAINTENANCE AND SUPPLY AGENCY
HAWK MANAGEMENT OFFICE
ACE, ALLIED COMMAND EUROPE
SEA SPARROW PROGRAMME
NAMMA, NATO MULTI-ROLE COMBAT AIRCRAFT DEVELOPMNT
AND PRODUCTION MANAGEMENT OFFICE

(3) INFRA/PCO/74/9 OF 27TH FEBRUARY, 1974

(4) ED/74/35 OF 25TH FEBRUARY, 1974

ED/74/35(REVISED) OF 17TH APRIL, 1974

ED/74/35(2ND REVISE) OF 3RD SEPTEMBER, 1974

(5) C-M(74)29 OF 13TH MAY, 1974

C-M(74)62 OF 4TH OCTOBER, 1974

C-M(74)62(REVISED) OF 31ST OCTOBER, 1974

FIRST INTERIM REPORT OF 26TH JULY, 1974

SECOND INTERIM REPORT OF 27TH JANUARY, 1975

4. IN HIS FOURTH QUARTERLY REPORT TO CONGRESS,
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PRESIDENT FORD INDICATED THE TOTAL AMONT OF EXPENDITURES
ENTERING THE BALANCE OF PAYMENTS FOR THE STATIONING OF
UNISED STATES TROOPS IN EUROPE IN COMPLIANCE WITH NATO
COMMITMENTS TO BE OF US \$1,983 MISSION FOR FISCAL YEAR 1974.

TAKING INTO ACCOUNT THE AMOUNT OF US \$1,100 MILLION TO BE

PAID BY THE FEDERAL REPUBLIC OF GERMANY TO THE UNITED STATES
UNDEE THE CURRENT OFFSET AGREEMENT INFISCAL YEAR 1974
THE REMAINING SUM LEFT TO BE COVERED BY THE OTHER EUROPEAN
COUNTRIES IS OF THE OEDER OF US \$83 MILLION.

5. TOTAL PAYMENTS MADE BY NATO EUROPEAN COUNTRIES
TO THE UNITED STATES (OTHER THAN THOSE OF THE FEDERAL REPULBIC
OF GERMANY) FOR PURCHASES OF GOODS AND SERVICES RELATED TO
THE DEFENCE EFFORT ARE OF THE ORDER OF US \$1,000 MILLION (1).
WITH PAYMENTS MADE BY THE FEDERAL REPUBLIC OF GERMANY IN THE
FRAMEWORK OF THE CURRENT OFFSET AGREEMENT WITH THE
UNITED STATES (US \$1,100 MILLION) THE TOTAL IS SOME
US \$2,100 MILLION. THIS SUM IS ABOVE THE UNITED STATES
EXPENDITURES IN EUROPE, OF US \$1,983 MILLION DURING THAT
SAME YEAR.

(1)DETAILS ARE ANNEXED

UNQUOTE
PEREZ

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